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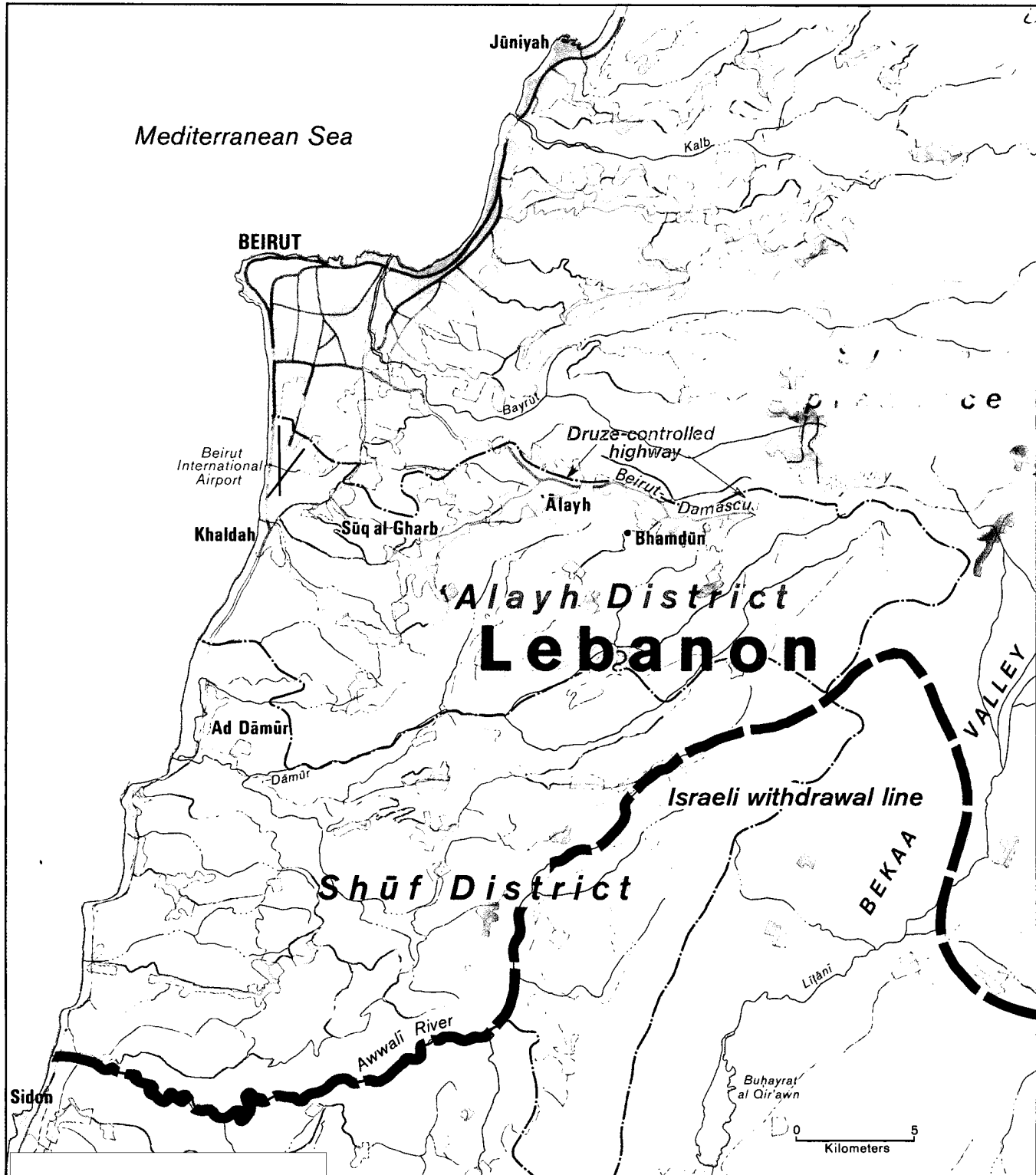
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LEBANON: Political Developments

The Lebanese Government and the Christian Lebanese Forces militia have agreed to a Saudi plan to end the stalemated fighting, but any cease-fire is likely to be temporary as long as the fundamental political problems remain unresolved. [redacted]

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The plan calls for the Lebanese Forces to withdraw from Qabr Shamun, for the Druze to lift their siege of Dayr al Qamar, and for a neutral force to enter both villages. President Gemayel has asked for the French Multinational Force contingent to play that role. Druze leader Walid Junblatt and Syria have yet to respond publicly to the Saudi plan. [redacted]

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French aircraft yesterday again reconnoitered Druze artillery positions. A French soldier was wounded, and Druze gunners shelled the airport near US Marine positions. [redacted]

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Comment: The Syrians probably will urge Junblatt to stall on a cease-fire agreement. Junblatt may expect that, if a second front is opened in Beirut this weekend, Gemayel will be forced into making significant political concessions. [redacted]

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Gemayel's sagging confidence may have been raised by the US and French show of force this week. Additional Lebanese Forces defeats, however, may lead Christian hardliners to move against Gemayel. [redacted]

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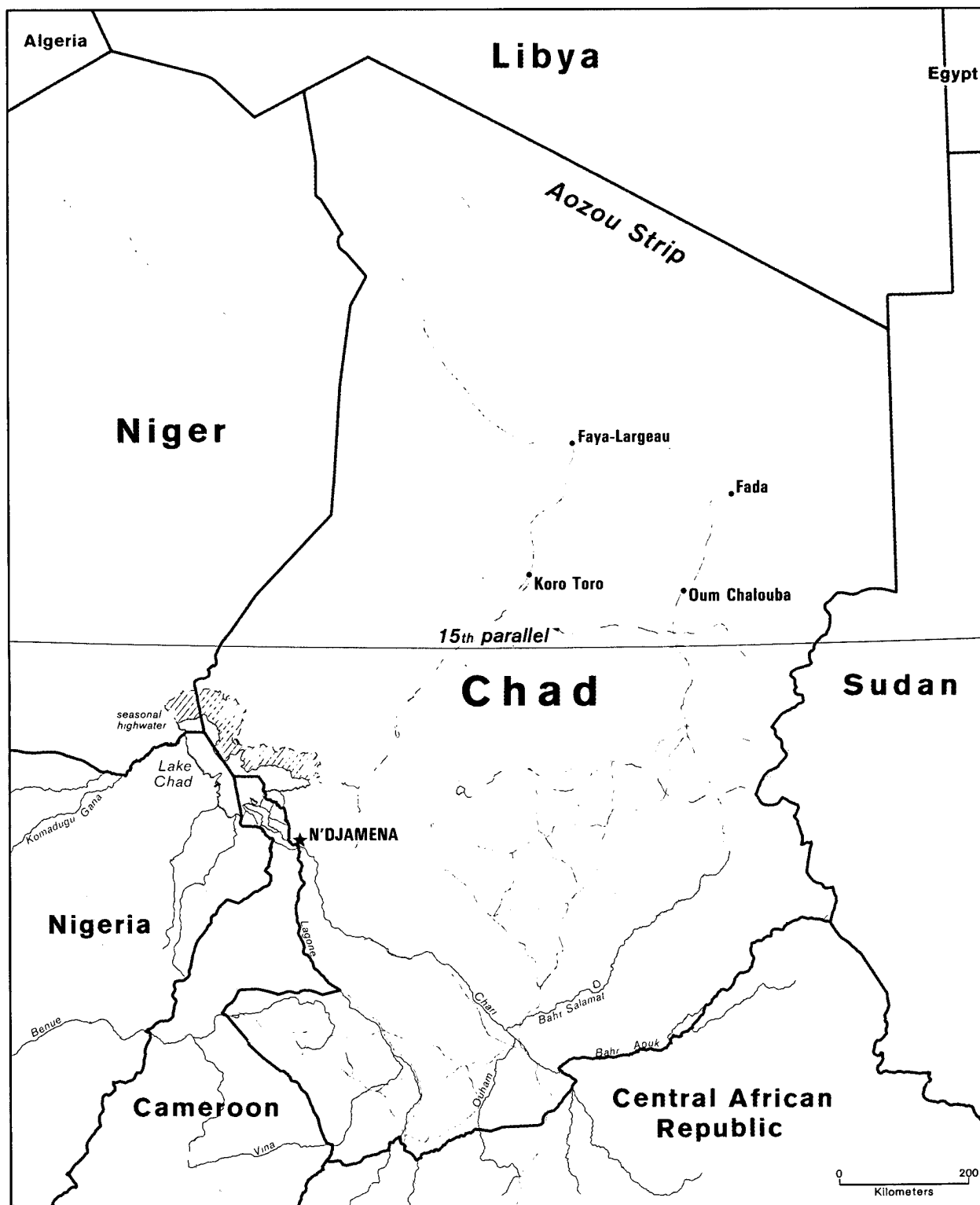
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CHAD: Stalemate Continues

A minor skirmish took place earlier this week, but the standoff continues essentially unchanged as both sides build up their forces.

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Government patrols clashed earlier this week with dissident forces retreating from Oum Chalouba to Fada, and unconfirmed reporting indicates there may have been skirmishes in the area around Koro Toro.

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Meanwhile, Gabon called off a proposed meeting of the OAU Ad Hoc Committee on Chad last week because of objections by OAU President Mengistu and acting OAU Secretary General Onu. Onu claims that French President Mitterrand and Libyan leader Qadhafi have agreed to push for face-to-face negotiations between President Habre and rebel leader Goukouni.

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Comment: Although additional skirmishes between government and rebel patrols are likely above the 15th parallel, Libya and France will almost certainly continue to avoid any direct clashes between their forces. Habre and Goukouni probably will try to draw their foreign partners into the fighting in order to break the stalemate and avoid negotiations.

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Despite the OAU's efforts to arrange talks, Habre continues to demand Libyan withdrawal from northern Chad before any negotiations. He remains determined to recapture his birthplace of Faya-Largeau and to prevent the permanent partition of Chad.

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ANGOLA: New Air Defense Missiles

The delivery to Mocamedes of 16 mobile launchers for the SA-6 tactical air defense missile

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substantially augments Angolan air defenses.

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This is the first time the Soviets have supplied this weapon to Angola. Tanzania is the only other recipient south of the Sahara, although the SA-6 has been in the Middle East for over a decade and was delivered to Cuba in 1981.

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Earlier this year, Moscow also provided Angola with eight SA-8 launchers, which are slightly more advanced. They are now based at Cahama and Chibemba.

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Comment: The SA-6s, which probably will be deployed in forward positions, will further impede South African air operations.

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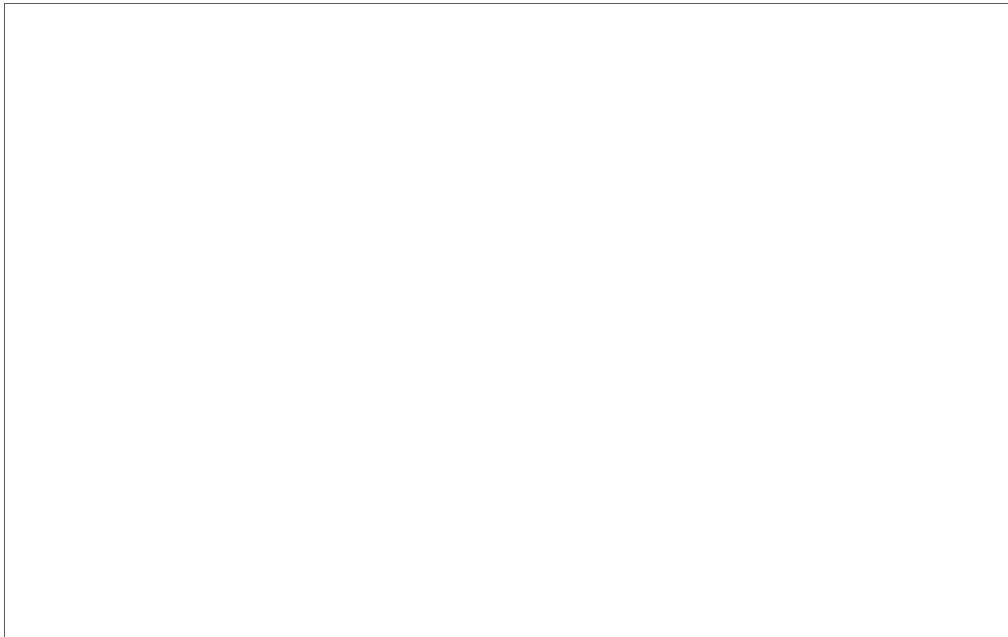
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CHILE: Possible Announcements by Pinochet

The democratic opposition's temporary suspension of talks with the government will focus attention on President Pinochet's speech on Sunday. Pinochet could announce further measures to improve Chile's economic and political conditions. [REDACTED]

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Comment: The speech may prepare the way for replacement of Finance Minister Caceres, who symbolizes some of the government's most unpopular economic policies. The ouster of Caceres would be a victory for new Interior Minister Jarpa, who is seeking concessions to deflate the opposition movement. International and domestic financiers respect Caceres for his technical competence, however, and would be unsettled by his replacement. [REDACTED]

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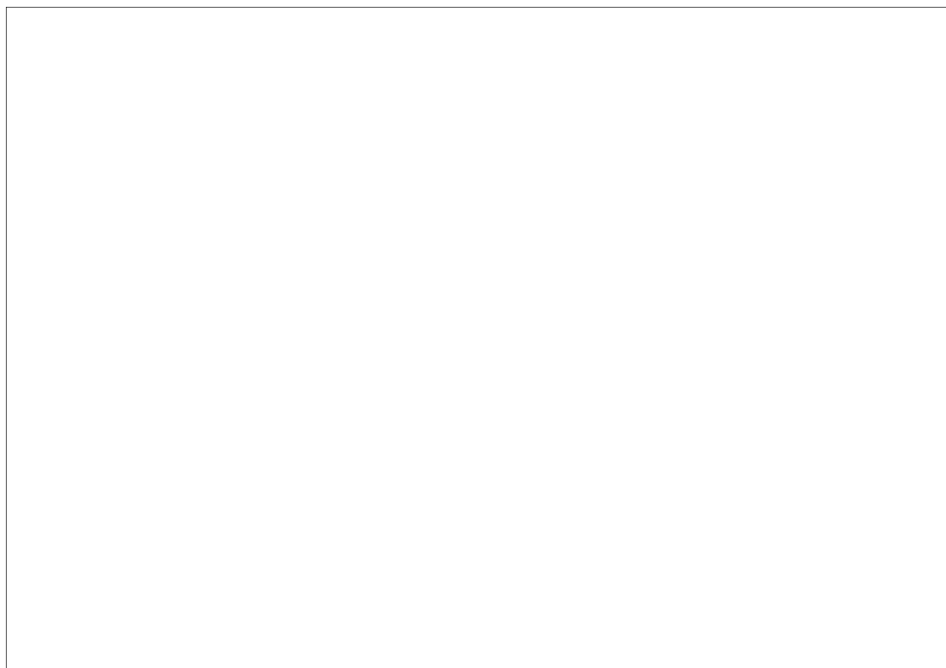
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PHILIPPINES: Investigation Commission Proceedings

The Supreme Court, according to press reports, is debating several petitions that challenge the legality of the Investigation Commission. In response, Chief Justice Fernando, who is chairman of the Commission, has removed himself from both the panel's proceeding and from the Supreme Court for the next 10 days. After three days of hearings, the US Embassy reports the quality of the proceeding has declined with an awkward and poorly prepared legal performance by the deputy general counsel, Amadeo D. Seno, a criminal lawyer with close ties to President Marcos's ruling party.

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Comment: Most Filipinos believe the government plans to use the Commission to conceal complicity. In a disbelieving mood, the public may construe the Supreme Court's deliberation over the legality of the Commission and Fernando's absence as intended to delay and impede the investigation. Whatever public confidence remains in the Commission's ability to carry out an impartial investigation continues to erode.

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USSR-WARSAW PACT: Visit of Soviet Military Leaders

Warsaw Pact Commander Marshal Kulikov and his Chief of Staff, Army General Gribkov, visited East Germany earlier this week to meet with East German leader Honecker and his top military aides, according to press reports. The talks reportedly focused on ways to improve Warsaw Pact military readiness and cooperation between member states. In an allusion to strategy on INF, the East Germans also said it was agreed that "determined measures are necessary."

[redacted]

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Comment: Kulikov's itinerary suggests that he is on an inspection tour of the forward area as Warsaw Pact units prepare for combat readiness tests at the end of the annual training cycle. Kulikov has been an advocate of high-level multinational combat readiness inspections in the Pact. At the same time, he may well have raised INF issues with Honecker. As the NATO deployments near, discussions of countermeasures between the Soviets and other members, particularly the East Germans, presumably will become more frequent and specific. [redacted]

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USSR-CHINA: Kapitsa's Visit

Deputy Foreign Minister Kapitsa arrived in Beijing on Thursday and in an airport interview stated that his discussions would concentrate on "international issues." The Chinese had said in July that Kapitsa could suggest his own agenda, but they excluded topics to be discussed in the third round of Sino-Soviet consultations to be held next month. Vice Premier Wan Li, however, told Japanese reporters on Tuesday that during Kapitsa's visit "China will watch for a Soviet response to the three obstacles"—Afghanistan, Soviet support for Vietnam, and reduction of Soviet forces opposite China. The Vice Premier said China does not expect the visit by Kapitsa to result in a breakthrough in relations. [redacted]

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Comment: Kapitsa's visit reflects Moscow's interest in expanding the dialogue. Beijing, for its part, wishes to maintain its maneuverability in its dealings with Moscow and Washington and to retain the appearance of balance prior to Secretary of Defense Weinberger's trip to China this month. [redacted]

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ITALY: Christian Democratic Party Congress

Christian Democratic Party leader de Mita has called for an extraordinary national party congress before the end of the year. Although some oppose the idea, important factional leaders, including former Prime Minister Fanfani, have voiced their support. The party's national council, which will meet in October, will consider the issue. [REDACTED]

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Comment: De Mita, who has been blamed by some for the party's losses in the national election in June, wants to be reconfirmed as party leader before his opponents have time to agree on a replacement. He apparently believes his opponents would become better organized by the time of the regular party congress next spring. Chief among his critics are former Foreign Minister Colombo and Civil Defense Minister Scotti, who are also dissatisfied with their reduced status under the government of Prime Minister Craxi. The lack of an agreement on a replacement could protect the position of de Mita, who was expected by many to be ousted after the party's setback in June. [REDACTED]

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Special Analysis

USSR: Ogarkov's Remarks on the Shootdown

Marshal Ogarkov, Chief of the Soviet General Staff, repeated Soviet claims about the downing of the South Korean airliner at a news conference in Moscow Friday and added details to support charges that the airliner was a spy plane. The press conference provided the Soviets' most definitive, authoritative remarks to date. [redacted]

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Ogarkov was accompanied by First Deputy Foreign Minister Korniyenko and Central Committee information chief Zamyatin, but Ogarkov made the only prepared statement, thus continuing Soviet efforts to keep the incident in a military context. He ignored or sidestepped awkward questions such as why the pilot did not identify the aircraft or when he, Defense Minister Ustinov, and General Secretary Andropov were informed. Ogarkov and Zamyatin repeatedly asserted that regional air defense commanders made the decision to shoot down the airliner. [redacted]

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The Marshal said a state commission established the day of the incident had concluded that the intrusion was a deliberate and thoroughly planned intelligence operation. He dwelt on Soviet claims of a connection with the US RC-135 operations, saying that the two planes approached each other so closely that radar images converged and that they flew together for 10 minutes. As they parted, he said, air defense command posts decided that an intelligence flight was approaching the USSR. [redacted]

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Ogarkov reviewed the early stages of the Korean airliner flight, raised questions about why its course was not corrected, and asserted that air traffic controllers and the US air defense system had radar coverage that would have detected the deviation. He also said the flight route has modern radio aids and checkpoints where aircraft should fix their positions. [redacted]

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The Flight Over Kamchatka

In discussing the passage of the airliner over Kamchatka, Ogarkov noted that it headed straight toward a major base of the USSR's nuclear forces and did not respond to inquiries from ground control and air defense. He said that the aircraft transmitted brief coded signals usually used for intelligence data. [redacted]

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Ogarkov indicated the Soviets then made stronger efforts to establish contact and to compel the aircraft to land. He claimed SA-5 surface-to-air missiles could have hit the airliner while it was over Kamchatka if the USSR had intended from the first to destroy it. []

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US information indicates the aircraft did pass just north of the Petropavlovsk naval base, which supports nuclear-powered ballistic missile submarines. Ogarkov's grounds for claiming that the airliner sent intelligence signals are unknown. []

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The Sakhalin Portion

Ogarkov asserted that over Sakhalin Island the aircraft began operating in an "outrageous" manner. He said it did not respond to warning shots; changed direction, altitude, and speed to evade the interceptors; and sharply changed course to circumvent missile units and to pass over important military facilities. These measures, according to Ogarkov, left the Soviets with no doubts that it was a reconnaissance aircraft. []

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The Marshal said that a Soviet interceptor made a last attempt to force the airliner to land by firing four bursts of warning shots totaling 120 tracer shells. Four minutes later the interceptor was ordered to stop the flight with missiles because, Ogarkov said, the aircraft failed to respond and tried to escape toward Vladivostok. []

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Special Analysis

FRANCE: Mitterrand's Domestic Problems

Political and economic problems will increasingly compete with foreign problems such as Chad and Lebanon for President Mitterrand's attention following the August holidays. Among his continuing concerns are the dissatisfaction of labor unions with government policy, disarray within the Socialist Party, and relations with the Communist Party in the governing coalition. The government's austerity policy is likely to be the central issue, but Mitterrand will be able to answer critics with evidence that it is beginning to work. Although the political atmosphere this fall will be more contentious than usual, the government's policies probably will remain essentially intact, and its stability is unlikely to be seriously threatened.

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The tough economic measures instituted by the government last March, along with its third devaluation of the franc, have begun to show results. Favorable economic indicators will help Mitterrand and economic coordinator Jacques Delors to justify the smaller budget for 1984 and the tax increases they will make public later this month.

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The most encouraging sign for them is that monthly trade deficits have diminished substantially and are likely to show further improvement through the fall. Although consumer prices have risen over 6 percent during the first seven months of the year, the government's efforts to limit price increases probably will hold inflation to about 9 percent for 1983. This will be close enough to the government's 8-percent target for it to claim success.

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Coming close to the target will help it to resist demands for catch-up wage increases from workers in key sectors, including the civil service, when talks begin later this year. Mitterrand may give some ground, but labor unrest is not likely to become serious enough to force broader, more inflationary concessions.

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Job Losses in Prospect

The level of unemployment has remained stable at 2 million through most of the year, but the slowdown in economic activity caused by the government's program is certain to cost more workers their jobs. According to an official estimate, the measures put into effect in March will cost 200,000 jobs by the end of the year, despite government programs intended to hold the line.

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Several recent strikes and demonstrations of union militancy in the automobile and paper industries, among others, reflect the wider discontent the government will encounter as more layoffs occur this fall. It is unlikely, however, that the increased strike activity in some industries will develop into massive, across-the-board work stoppages.

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The leaders of the major trade union federations face important administrative elections on 19 October, and they probably will be less inclined than usual to put aside the longstanding rivalries of their federations to support any broad moves against the government. Moreover, key labor leaders continue to be reluctant to oppose the current Socialist government with the kinds of tactics that have sometimes brought thousands of workers into the streets under center-right governments.

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The Socialists Face a Congress

The biennial congress of the Socialist Party will be held at the end of October. Since March, the government's economic policy has been criticized by members of the party's leftwing faction and by some influential adherents of Mitterrand's own faction. Although the critics have become more circumspect since Mitterrand began speaking out strongly in support of his government's policies, the leftwing faction could seek a confrontation over economic policy at the congress.

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An open division might embarrass Mitterrand, but his position as the party's strongest figure would not be threatened. All factions recognize him as the unifying force that brought victory in 1981. Few influential Socialists, especially members of the National Assembly with a stake in the success of Mitterrand's government, will be inclined to back a challenge to his authority.

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More Strains in Coalition

The coalition of Socialists and Communists remains uneasy. Both partners are wary of each other, but neither appears ready for a break this fall.

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Communist leaders have already made clear that their unhappiness with government policies—the austerity program, INF, and Chad—will not cause them to withdraw. Mitterrand and the Socialists appear willing to tolerate Communist carping if they mute their attacks when Mitterrand establishes limits, as he has done recently on INF.

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The Socialists are confident that the Communists will remain pliable. This was demonstrated by the recent government announcement of funding levels for the state coal monopoly next year that appears to make mine closures inevitable. The president of the monopoly is a Communist, and the Communist-dominated labor federation has a strong following among miners. []

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The Socialists almost certainly expect the federation to back strikes, as it has done in other sectors. They apparently believe, however, that it will confine itself largely to verbal support and that the Communist Party, whose ministers accepted the measure, will make sure that it does. []

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Even if Mitterrand were to face major unrest, the government is not likely to collapse. The defection of the Communists would not force Mitterrand to call new elections because the Socialists' absolute majority in the National Assembly is secure until 1986. []

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Defections among Socialist deputies could precipitate an election, but these deputies are aware that many would lose their seats in the process. Mitterrand's own term runs until 1988. []

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